



Executive Director's  
Report to the

Board of Harbor Commissioners

**DATE: MAY 30, 2012**

**FROM: BUSINESS & TRADE DEVELOPMENT**

**SUBJECT: RESOLUTION NO. \_\_\_\_\_ APPROVAL OF FOREIGN-TRADE  
ZONE DEVELOPER AGREEMENT BETWEEN THE CITY OF LOS  
ANGELES HARBOR DEPARTMENT AND THE REALTY ASSOCIATES  
FUND IX, L.P., SITE 20**

**SUMMARY:**

In May 2004, the Foreign-Trade Zone (FTZ) Board designated undeveloped land located in Eastvale, formally known as Mira Loma, California, owned by Industrial Development International, Inc. (IDI), as FTZ 202, Site 20. This site had been reorganized and downsized several times due to change of land use. Currently, Site 20 is approximately 141 acres. Recently, IDI sold 18.95 acres of this site to The Realty Associates Fund IX, L.P. (T.A. Realty). The City of Los Angeles Harbor Department (Harbor Department), as the grantee, is required by the FTZ Board to have a developer agreement with a new land owner. In August 2011, the Harbor Department received a request from T.A. Realty to enter into a FTZ Developer Agreement (Agreement) for the 18.95 acres purchased from IDI. The proposed Agreement is for a five-year term with three five-year renewal options.

**RECOMMENDATION:**

It is recommended that the Board of Harbor Commissioners (Board):

1. Approve the proposed Agreement between the City of Los Angeles Harbor Department and The Realty Associates Fund IX, L.P.;
2. Direct the Board Secretary to transmit the proposed Agreement to the Los Angeles City Council for approval pursuant to Section 373 of the Charter of the City of Los Angeles and Section 10.5 of the Los Angeles Administrative Code;
3. Upon approval by the City Council, authorize the Executive Director to execute and the Board Secretary to attest to the proposed Agreement; and
4. Adopt Resolution No. \_\_\_\_\_.

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SUBJECT: DEVELOPER AGREEMENT BETWEEN THE HARBOR DEPARTMENT  
AND THE REALTY ASSOCIATES FUND IX, L.P., SITE 20

**DISCUSSION:**

Background – The Foreign-Trade Zone Act of 1934, as amended (19 U.S.C. 81a-81u) was established to support U.S. commerce and create jobs by reducing import duties or excise taxes by deferring payment of duties, thereby making it attractive for companies to perform some work on their products in the U.S. rather than offshore. The definition of a FTZ is a restricted access site located in the U.S. Customs and Border Protection territories. The importer may defer payment of duties and other fees until the merchandise is brought into U.S. commerce for consumption.

On July 14, 2011, the Board approved an application to the FTZ Board to change FTZ management framework from a Traditional Site Framework to an Alternative Site Framework (ASF). On January 19, 2012, the Harbor Department has filed an ASF application with FTZ Board. The ASF is for grantees that choose to participate for designation and managing general purpose FTZ sites in an efficient manner. All of our current and future FTZ general purpose operators will benefit under the ASF's new streamlined process with quicker approval periods and simplified application requirements.

Need for Agreement – T.A. Realty purchased 18.95 acres from IDI as a part of FTZ 202, Site 20 (Transmittal 2). T.A. Realty, as a new landowner, is required to enter into a developer agreement with the Harbor Department. Otherwise, FTZ status would be lost for the purchased acreage. As such, in August 2011, T.A. Realty made a request to the Harbor Department to enter into a new developer agreement (Transmittal 1).

Need for Approval – As a new landowner, T.A. Realty is requesting approval of the proposed Agreement to allow T.A. Realty to market this site as a FTZ site. This is an administrative requirement for the Harbor Department.

Harbor Department Fiscal Requirements – This proposed Agreement will not require funding by the Harbor Department.

**ENVIRONMENTAL ASSESSMENT:**

The proposed action is approval of an FTZ Developer Agreement with T.A. Realty as the new landowner of a part of FTZ 202, Site 20. As an activity involving the issuance of an agreement to use an existing facility involving negligible or no expansion of use, the Director of Environmental Management has determined the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Article III, Class 1(14) of the Los Angeles City CEQA Guidelines.

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**ECONOMIC BENEFITS:**

Approval of the proposed Agreement will have no employment impact.

**FINANCIAL IMPACT:**

The applicant has paid an initial application fee of \$2,500 to the Harbor Department. When the site is activated, each site operator will pay the Harbor Department a \$5,000 activation fee and a \$5,000 annual fee. No Harbor Department funds are required for the actions granted by this Board item.

Although there is no direct cost to the Harbor Department arising from this proposed Board action, the Harbor Department does incur FTZ-related expenses. During calendar year 2011, approximately \$80,000 was spent on outside FTZ-related consulting services whereas \$149,000 in revenues was collected from all FTZ operators.

Approving the proposed Agreement with T.A. Realty creates an entity that confers among other advantages, tax and operating benefits to the operator, and provides a tool for economic development. As the Harbor Department is a designated grantee of FTZs under the State of California enabling legislation, granting FTZ status to an operator allows more efficient operations and allows T.A. Realty to remain competitive.

If T.A. Realty does not obtain approval as a Developer with FTZ status from the Harbor Department, their tenants potentially have the choice of going to another FTZ in California such as Long Beach, San Diego, Palmdale, etc., or even going out of state. Since FTZ facilities exist in every state, T.A. Realty tenants can potentially shift its employees to work elsewhere as a result of seeking FTZ status in another location.

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**CITY ATTORNEY:**

The City Attorney's Office has prepared and approved the proposed Agreement as to form and legality.

**TRANSMITTALS:**

1. Proposed FTZ Developer Agreement for FTZ 202, Site 20
2. FTZ 202, Site 20 site map

FIS Approval: ef (initials)

CA Approval: TM (initials)



KRAIG JONDLE  
Director of Business & Trade Development



**FOR** KATHRYN McDERMOTT  
Deputy Executive Director

APPROVED:



*for* GERALDINE KNATZ, Ph.D.  
Executive Director

M. Morimoto